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Action:	For Decision
Acronyms and Defined Terms SEC Glossary	

SECCo Response – Preliminary Strategic Direction Statement and governance arrangements for industry codes

1. Purpose

This paper provides the Panel with a summary of the key points that we propose to include in the response to the [Ofgem consultation on Preliminary Strategic Direction Statement and governance arrangements for industry codes](#). The consultation closes on 28 March 2025.

The Panel is requested to delegate authority for approving the final response the Panel Chair.

2. Background

Ofgem initiated work on reforming the energy industry codes in July 2019. Since then, there have been a number of consultations and Calls for Input.

The Energy Act 2023 provided Ofgem with transitional powers, including setting the direction for the development of designated electricity and gas industry codes. As part of this, Ofgem intends to publish a preliminary Strategic Direction Statement (SDS) in 2025.

It should be noted that the statutory obligation to publish an SDS does not take effect until industry codes are formally designated by the Secretary of State, hence the designation of this as a 'preliminary' SDS.

On 31 January 2025, Ofgem published the proposed preliminary SDS along with a consultation on the code governance changes to support the SDS. This was supported by a webinar on 17 February 2025. Ofgem has highlighting the following three areas it is seeking responses on:

- Approach to the Strategic Direction Statement
- Prioritisation of Code Modifications
- Cooperation Standard Licence Condition

We are engaging with other Code Bodies on a number of topics to ensure that our response not only reflects the SEC's position, but also emphasises deeper cross-code collaboration and alignment on the strategic matters. The proposed cover letter to the consultation response is included as Annex 1 and outlines the key positions which will be reflected in the full response to the consultation questions.

The consultation closes on 31 March 2025.

3. Recommendations

The Panel is requested to **DISCUSS** the key proposed positions and **AGREE** to delegate approval of the consultation response to the Panel Chair.

Oli Meggitt

Senior Strategy Manager

18 February 2025

Attachments

- Annex 1 – Cover Letter for Consultation

Annex 1 – Cover Letter for Consultation Response

Angela Love - SEC Panel Chair
Smart Energy Code Company Limited
77 Gracechurch Street
London, EC3V 0AS

For the attention of: Gavin Baille, Code Governance Reform Team
Submitted via email: industrycodes@ofgem.gov.uk

18 February 2025

Dear Gavin,

Thank you for the opportunity to respond to Ofgem's consultation on the preliminary Strategic Direction Statement and governance arrangements for industry codes.

We broadly agree with the proposals in your consultation. The Strategic Direction Statement (SDS) should clearly outline priorities and focus areas for Code Bodies, Code Managers, and Industry Parties. This clarity will enhance cross-code collaboration, encourage broader participation, and provide greater certainty on future activities. Ultimately, we believe this will support the industry's progress toward net zero and align with the Clean Power 2030 Action Plan.

We provide a summary on our main position below and the detailed answers to the consultation questions in our main response.

Key positions:

- 1) We support Ofgem's approach to the SDS and the level of detail provided. We also welcome this preliminary SDS as an opportunity for Code Bodies to prepare for implementation before it becomes a formal obligation.
- 2) Clarity on the timing of future SDS publications and alignment with existing obligations for Code Bodies to publish budgets and business plans would be helpful.
- 3) We encourage reducing the number of SDS objectives where the impacted Code is marked as 'unknown'. Greater engagement between Ofgem and Code Bodies could improve clarity and help the industry assess these objectives' impacts.
- 4) We support prioritising Code Modifications and the proposed criteria. While Proposers should suggest prioritisation, we believe the final decision should rest with the Code Panel; this aligns with the intended responsibilities of a Code Manager.
- 5) We are engaging with other Code Bodies on improving cross-code change support. However, we believe it would be beneficial to have further clarification on how the industry should overcome a situation where a change impacts multiple codes, but a consensus on prioritisation cannot be initially reached.

- 6) Regular reviews of prioritisation levels are important, but a fixed timescale may introduce uncertainty if issues are frequently de-prioritized. Further exploration on the best approach would be valuable.
- 7) We support adding a Standard Licence Condition allowing Code Managers to request information from licensees for Code Modifications. The proposed 'reasonableness test' ensures this is used appropriately without overburdening industry Parties.

Across the SECCo team and SEC Panel, there is an in-depth understanding of the central market arrangements and the evolution and recent history of new regulatory initiatives. Should you wish to discuss any aspects of our response further then please either get in touch with Oli Meggitt (oli.meggitt@seccoltd.com), Senior Strategy Manager, and/or Alina Bakhareva (alina.bakhareva@seccoltd.com), Head of Code and Regulatory Strategy.

Yours Sincerely,

Angela Love

SEC Panel Chair